

STATEMENT OF SENATOR TOM COBURN
Chairman, Subcommittee on Federal Financial Management, Government
Information, and International Security

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Last year, venture capitalists invested over \$20 billion into various projects in the U.S. economy. Industries including biotechnology, telecommunications, and health care services received hundreds of millions, if not billions, of dollars in funding from private investors. All of that venture capital funding also doesn't even take into account the massive amount of money spent each year on research and development, or R&D, by publicly-traded American companies. Just to give a few examples, IBM in 2004 spent more than \$5 billion on R&D, while Motorola spent more than \$3 billion on R&D. In short, the private sector of the U.S. economy is researching new technologies and products at a feverish pace.

This hearing today has been convened to provide an assessment of federal funding for private research and development, with a focus on the Advanced Technology Program, or ATP. Created in 1988 by the Omnibus Trade and Competitiveness Act, ATP is a federal program charged to support research that accelerates the development of high-risk technologies in order to increase the global competitiveness of American industry. On its web site, ATP states that its goal is to help companies meet challenges that "they could not or would not do alone." Many of the program's most vocal supporters believe that without the federal funding provided by ATP, countless research projects would receive no money at all, and that ATP exists to remedy the failure of the market to fund research and development.

Evidence to support those claims, however, is quite limited. Time after time, ATP is shown to fund initiatives that have already been undertaken by the private sector. Year after year, multi-billion dollar corporations receive millions of dollars from ATP. For example, General Electric, or GE, one of the most widely known corporate brands in the world, has received more than \$100 million in grants from ATP. Last year alone, GE reported revenues of \$152 *billion*. IBM, with revenues of nearly \$100 billion in 2004, has received \$91 million in federal funds from ATP. In total since 1990, Fortune 500 corporations have received more than \$730 million from ATP. *If this does not constitute corporate welfare, then corporate welfare does not exist.*

Regarding the claim that ATP primarily funds research that does not already exist in the private sector, the U.S. Government Accountability Office, or GAO, found in a 2000 report that ATP had funded research on handwriting recognition that began in the private sector *in the late-1950s*. GAO found that inherent factors within ATP made it "unlikely that ATP can avoid funding research already being pursued by the private sector in the same time period." Furthermore, according to the Program Assessment and Rating Tool used by the Office of Management and Budget, ATP does not address a specific need and is not designed to make a unique contribution.

While many supporters of ATP point to the broad societal benefits of scientific research as justification for ATP, the merits of scientific research are not at issue here today. As a physician, I know first-hand the benefits that have been realized due to breakthroughs in the field of medical research. The main issues before us today are the federal financing of research that may very well be duplicative and the federal subsidization of multi-billion dollar global corporations.

We are pleased to have with us here today distinguished scholars from the Government Accountability Office, the Heritage Foundation, and the National Academies. On our first and only panel, Robin Nazzaro, Brian Reidl, and Dr. Charles Wessner will give us their assessments of federal funding of private research and development.